

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 3 AND 4, 2009

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on February 3 and 4, 2009 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Gerald W. Hopkins, Chairman
Charles McConnell, Vice Chairman
John P. McCann
Jay Fisette
William C. Shelton
Manju Ganeriwala
Jacqueline T. Black
Nancy K. O'Brien
Yvonne T. Allmond
Kermit E. Hale
Marjorie N. Leon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
Barbara Blankenship, Managing Director of Human Resources
Janet W. Butler, Managing Director of Information Technology Services
Russ E. Wyatt, General Auditor
Tammy N. Taylor, Managing Director of Organizational Development and Learning
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Patrick J. Carey, Finance Director
Nina B. Nolley, Assistant Director of Multi-Family Servicing
Robert Halloran, Marketing Director
Brian Matt, Public Relations Manager
Ann Brown, Senior Copywriter
Brenda Brophy, Development Officer Manager
J. Michael Hawkins, Director of Community Housing
Barry Merchant, Policy Analyst

Llewellyn C. Anderson, Strategic Planner
Melody S. Barackman, Controller
Ronald A. Reger, Strategic Planner
Scott Heiry, Business Intelligence Manager
Sandy Case, Default Administration Manager
Sharon Fairburn, Housing Choice Voucher Director
Sid Mohammad, Accounting Manager
Michael Stoneman, Multi-Family Owned Property Portfolio Manager
Brenda D. Hawkins, Program Manager
Maryanne S. Butler, Senior Program Compliance Officer
Alice Tousignant, Virginia Supportive Housing
Heather Orrick, Virginia Supportive Housing
Aaron Seville, TM Associates

Chairman Hopkins called the meeting of the Committee of the Whole to order at 2:03 p.m. on February 3, 2009. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners McCann and Black who joined the meeting in progress as noted below and thereafter remained present during the meeting on February 3, 2009 and except Commissioners Fisette and Ganeriwala who were not present at the meeting on February 3, 2009.

Ms. Dewey introduced Ms. Tousignant who reviewed recent projects that have been developed by Virginia Supportive Housing and assisted by the Authority and presented a video on the programs and activities of Virginia Supportive Housing. During this presentation, Commissioner McCann joined the meeting.

Ms. Fairburn presented a report on the projected funding for the Housing Choice Voucher Program. In this report, Ms. Fairburn discussed with the Commissioners current and projected HUD funding of the Program for housing assistance payments, family self-sufficiency and administrative fees and advised the Commissioners as to a projected deficit in funding by HUD of the Authority's administrative expenses that is estimated to have a negative impact of \$571,846 on the Authority's operating statement for fiscal year 2010. Ms. Dewey stated that this would be an allocation from REACH funds. During this report, Commissioner Black joined the meeting.

Ms. Dewey reviewed her presentation on January 19, 2009 to the House Finance Committee of the Virginia General Assembly, and Mr. Matt played an audio recording of Ms. Dewey's interview on the WRVA radio station that occurred after her presentation to the House Finance Committee.

Ms. Dewey, Mr. Bowen, Mr. Ritenour and Mr. Dolce presented a preview of strategic planning issues to be discussed at the Board retreat on March 30th and 31st. Ms. Dewey reviewed the Authority's critical short-term priorities of delivering core programs and services and managing financial risks. Mr. Bowen, Mr. Ritenour and Mr. Dolce then discussed with the Commissioners the following matters: the status of the single family

and multi-family bond market and the alternatives being considered by the Authority to raise capital by the issuance of Ginnie Mae and Fannie Mae guaranteed obligations; the expected levels and characteristics of loan production in the multi-family and single family loan programs; and the status of delinquencies and defaults in the single family and multi-family loan programs, the factors that may affect the rates of delinquencies and defaults in those programs, and the actions being taken by the Authority to mitigate loan foreclosures and losses. Mr. Bowen advised the Commissioners as to market conditions affecting the Authority's investments and the income on its investments, the status of certain asset backed investments held by the Authority, and the status of the Authority's systems being developed for investment accounting, reporting and benchmarking. Ms. Dewey advised the Commissioners as to the inclusion by the Governor of \$250,000 for counseling services in the state's proposed fiscal year 2010 budget and the possible matching by the Authority of those funds, the Authority's expected permanent financing of single family homes under the Neighborhood Stabilization Program being administered by the Department of Housing and Community Development, and the Authority's advertising campaign that is to focus on homeownership education for African Americans and Hispanics.

Mr. Matt presented a video of the first part of the Authority's public service television show that was broadcast on a Northern Virginia public access cable channel.

On motion duly made and seconded, the resolution entitled "Resolution of Recognition and Appreciation of J. Braxton Powell" dated February 3, 2009, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 5:26 p.m. on February 3, 2009.

Chairman Hopkins called the regular meeting of the Board of Commissioners to order at approximately 11:04 a.m. on February 4, 2009. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Vice Chairman McConnell and Commissioners Black and Shelton who were not present during the meeting on February 4, 2009.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

The minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on December 2 and 3, 2008 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Maryanne S. Butler" dated February 4, 2009, was read by Mr. Reger and, on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting.

The resolution entitled “Resolution in Recognition and Appreciation of the Twentieth Anniversary of the Better Housing Coalition” dated February 4, 2009, was read by Mr. Reger and, on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting, except Commissioner McCann who abstained.

Chairman Hopkins, on behalf of the Committee of the Whole, summarized the staff reports to, and the discussions by, the Committee of the following matters: a presentation and video by Ms. Tousignant on the projects, programs and activities of Virginia Supportive Housing; a report on the projected funding for the Housing Choice Voucher Program; a summary by Ms. Dewey of her presentation on January 19, 2009 to the House Finance Committee of the Virginia General Assembly; an audio recording of Ms. Dewey’s interview on the WRVA radio station; a preview of strategic planning issues to be discussed at the Board retreat on March 30th and 31st; and the Authority’s public service television show that was broadcast on a Northern Virginia public access cable channel.

Commissioner O’Brien, on behalf of the Programs Committee, summarized the staff reports that had been received and considered by the Committee on the following matters: the utilization of REACH funds in fiscal year 2009; the proposed use of \$175 million in tax exempt bond allocation to refinance and recapitalize multi-family developments currently financed by the Authority; single family and multi-family loan production; the status of the disposition of multi-family developments owned by the Authority; homeownership and multi-family loan delinquencies; the leasing rate in the housing choice voucher program; the status of the Authority’s emerging markets outreach efforts and housing program for persons with disabilities; and the Authority’s marketing activities and advertising campaign for fiscal year 2009 . Commissioner O’Brien next reported that Committee recommended that the Authority match, on a dollar for dollar basis not to exceed \$250,000, any funding appropriated by the General Assembly for foreclosure counseling services in fiscal year 2010. Commissioner O’Brien moved approval of such recommendation, and the motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner Allmond, on behalf of the Audit Committee, summarized the following reports that had been received and considered by the Committee: a report from Ms. Barackman on the Authority’s monthly financials and budget comparisons for the period ended December 31, 2008; a report from Mr. Wyatt on the status of the internal audit schedule and the internal audit reports and recommendations; and a report by Mr. Wyatt on the Authority’s enterprise risk management activities.

Commissioner Allmond, on behalf of the Operations Committee, summarized the following reports that had been received and considered by the Committee: a report from Ms. Butler on ITS activities, including the status of ITS projects; a report from Ms. Taylor on the Authority’s organizational, development and learning activities and

courses; and a report from Mr. Bowen on the status of the proposed improvements to the Southwest Virginia Housing Center and the Authority's headquarters.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the NCSHA Legislative Conference to be held in Washington, D.C. on March 2nd through 4th; her recent meetings with Senator Warner on federal legislative matters; the Board retreat to be held on March 29-31, 2009 in Arlington; and the regular meeting of the Board to be held on June 2nd and 3rd. Following this report, Mr. Bowen presented an update on the Authority's "Go Green" initiative, and Mr. McKellar advised the Commissioners as to the status of legislation relevant to the Authority that had been introduced in the 2009 Session of the General Assembly.

There being no further business, the meeting was adjourned at approximately 12:35 p.m. on February 4, 2009.

Gerald W. Hopkins, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON FEBRUARY 4, 2009

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on February 4, 2009 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia 23220.

COMMITTEE MEMBERS PRESENT:

Nancy K. O'Brien, Committee Chairman
Jay Fisette
Gerald W. Hopkins
Marjorie N. Leon
Jacqueline T. Black

OTHER COMMISSIONERS PRESENT

John P. McCann

COMMITTEE MEMBERS ABSENT

William C. Shelton
Charles McConnell

OTHERS PRESENT:

Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
J. Judson McKellar, Jr., General Counsel
Michele G. Watson, Director of Homeownership Programs
John F. Hastings, Director of Multi-Family Development Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
J. Michael Hawkins, Director of Community Housing
Ronald A. Reger, Strategic Business Planner
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Mike Stoneman, Multi-Family Owned Property Portfolio Manager
Llewellyn C. Anderson, Strategic Business Planner
Robert Halloran, Marketing Director
Barbara Blankenship, Managing Director of Human Resources
Russ Wyatt, General Auditor
Tammy N. Taylor, Chief Learning Officer, Organizational Development and Learning
Patrick Carey, Finance Director
Aaron Seville, TM Associates

The meeting of the Programs Committee was called to order by Committee Chairman O'Brien at approximately 9:02 a.m. All of the Commissioners listed above as being present at the meeting were present at that time and remained

present throughout the meeting, except Commissioners McCann and Hopkins who left the meeting as noted below and except Commissioners Fisette and Black who joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on December 3, 2008 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Ritenour presented a report on the utilization of funds for the REACH programs for fiscal year 2009. Mr. Ritenour noted that the use of REACH funds for the Single Family SPARC Program had increased significantly and that the Single Family SPARC Program was using approximately 45% of the REACH funds that are available for fiscal year 2009. Commissioner McCann commented that preventing foreclosure of the Authority's mortgage loans to single family borrowers should be considered a priority for the use of fiscal year 2010 REACH allocations. Mr. Ritenour indicated that the staff is considering the development of a REACH program to prevent anticipated foreclosures, and the members of the Committee concurred that the staff should proceed with the development of the program.

Mr. Ritenour and Ms. Watson discussed the match by the Authority of any funding that may be appropriated by the General Assembly for foreclosure counseling services in fiscal year 2010. Mr. Ritenour commented that the Authority would use REACH funds for this match. Ms. Watson noted that the Authority provided the same match in fiscal year 2009 using REACH funds. Commissioner Leon moved that the Committee recommend to the Board that the Authority match, on a dollar for dollar basis not to exceed \$250,000, any funding appropriated by the General Assembly for foreclosure counseling services in fiscal year 2010. This motion was seconded by Commissioner Hopkins and was approved by the affirmative vote of each of the members of the Committee then present at the meeting. Following this action, Commissioner Fisette joined the meeting.

Mr. Ritenour presented a proposed program to use \$175,000,000 of the Authority's tax exempt bond allocation to refinance and recapitalize multi-family developments currently financed by the Authority. Mr. Ritenour noted that by providing this refinancing the Authority would be able to ensure that the developments would be rehabilitated, that the low and moderate income occupancy requirements imposed by federal law governing the tax-exempt bonds would be extended for an additional 15-year period, and that these requirements would be enforceable by the Authority by foreclosure. After a discussion of this proposal, it was the consensus of the Committee that the Authority proceed with the program.

Mr. Ritenour and Ms. Watson presented a report on homeownership loan production for the first half of fiscal year 2009. Ms. Watson reported that more than 78% of the production was to households with incomes of less than 80% of the state's median income. Ms. Watson also reported that the Authority is on target to finance

approximately 5,100 single family loans in the total principal amount of \$802 million. During this presentation, Commissioners McCann and Hopkins left the meeting.

Mr. Ritenour and Mr. Hastings presented a report on multi-family loan production for the period November 20, 2008 – January 27, 2009. In this report, Mr. Hastings noted that nine developments consisting of 534 units had been approved for mortgage loans in the estimated total principal amount of \$28 million. Mr. Hastings also commented that seven of the nine developments were supported with REACH funds.

Mr. Ritenour and Mr. Stoneman presented a report on the status of the disposition of the multi-family properties owned by the Authority. During this report, Commissioner Black joined the meeting.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multi-family portfolios. Mr. Dolce noted that the overall delinquency rates, including foreclosures and bankruptcies, for the single-family and multi-family portfolios were 8.54% and .68%, respectively, as of December 31, 2008. Mr. Dolce explained that staff monitoring of the loan had been increased to allow the borrower and the Authority to prevent foreclosure. The members of the Committee and the staff discussed the Authority's monitoring and foreclosure work-out and prevention activities and the possible use of REACH funds to assist borrowers whose mortgage loans are at risk of foreclosure. Mr. Dolce also reported that the Housing Choice Voucher year-to-date lease-up rate was 101%.

Mr. Hawkins presented the emerging markets outreach report for the period September 1, 2008 – October, 2008 and an update on the Housing Opportunities for Persons with Disabilities Program.

Mr. Hill presented an update on the Authority's marketing activities, and Mr. Halloran presented a report on the Authority's advertising campaign for fiscal year 2009.

There being no further business the meeting was adjourned at 10:28 a.m.

Minutes of the Meeting of the Audit Committee Held on February 4, 2009

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on February 4, 2009 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Yvonne Allmond, Chair
John P. McCann
Kit Hale

Other Commissioners Present Gerald Hopkins, Chairman of the Board

Others Present Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Michelle S. Edmonds, Sr. Executive Assistant
Barbara Blankenship, Managing Director of Human Resources
Melody Barackman, Controller

Meeting Called to Order The meeting was called to order at 9:31 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Approval of the Minutes On motion duly made by Commissioner McCann, the minutes of the Audit Committee meeting of December 3, 2008 were approved and seconded by Kit Hale.

Report on Monthly Financials and Budget Comparisons Melody Barackman discussed the financial reports and budget comparisons for December 2008. Excess revenues before GASB 31 adjustments were \$4.5 million, below plan by \$1.5 million. This was due largely to the impact of loan losses and additional reserves provided for loan losses. Loan losses and loan loss reserves exceeded December budget by \$2.1 million. Also, prior accumulated HCV reserves were reduced by \$1.1 million as a result of exceeding net budgeted expense by \$400,000. On the plus side, net interest margin was ahead of plan by \$600,000 and administrative expenses were better than plan by \$300,000.

For the 1st half of FY09, excess revenues totaled \$57.3 million, or \$5.2 million ahead of plan. Net interest margin was ahead by \$4.0 million and administrative expense savings accounted for \$3.0 million. Compared to last year, excess revenues are \$18.2

Continued on next page

Audit Committee Minutes
February 4, 2009

**Report on
Monthly
Financials and
Budget
Comparisons**
(cont'd)

million lower than last year primarily due to the lower yields on investments and additional net costs of the HCV program.

Since June, the increase in total assets of \$157 million is attributable to mortgage loan production. Total assets now exceed \$9.5 billion. Net assets increased by \$50 million to almost \$2.1 billion. Debt ratio coverage is 1.28.

**Internal Audit
Report**

The General Auditor reported on the status of the audit schedule indicating that two audits had been completed since the last Committee meeting: SF Homeownership Department, with its NetOxygen Application System, and Desktop Services. The General Auditor indicated that a standard report with discussion items was issued to management in each of these audits and the issues raised did not rise to the level of needing to be discussed with the Audit Committee. The General Auditor also reported that there were no adverse reports issued since the last Committee meeting. The General Auditor indicated that the following audits are in progress: (1) General Accounting, with its GEAC Application System; (2) Information Security Administration; and (3) Organizational Development and Learning. The General Auditor further reported that the Audit schedule is on track to be completed as planned.

The General Auditor also indicated that there are no control concerns that were previously reported that have not been addressed by management.

The General Auditor then gave a status update of the Enterprise Risk Management Project indicating the risk and control self assessment system is progressing and due to be completed by fiscal year-end with a phased rollout beginning in fiscal 2010.

Adjournment

There being no further business, Commissioner Allmond moved for adjournment of the meeting at 10:04 a.m.

Russ E. Wyatt
General Auditor

Yvonne Allmond
Chairman

Minutes of the Meeting of the Operations Committee Held on February 4, 2009

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on February 4, 2009 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Yvonne Allmond, Chair
John P. McCann
Kit Hale

Other Commissioners Present Gerald Hopkins, Chairman of the Board

Others Present Arthur N. Bowen, III, Managing Director of Finance & Administration
Melody Barackman, Controller
Russ Wyatt, General Auditor
Janet Butler, Managing Director of Information Technology Services
Tammy Neale Taylor, Chief Learning Officer, OD&L
Barbara Blankenship, Managing Director of Human Resources
Michelle S. Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 10:05 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Approval of the Minutes Commissioner Hale moved approval of the minutes of the meeting of the Operations Committee dated December 3, 2008. Commissioner McCann seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

ITS Update Janet Butler, Managing Director of Information Technology Services, provided a handout on the status of the ITS Project Performance Dashboard as of January 30, 2009. As of the date of today's meeting, 15 projects/programs are ongoing and in green status. Three projects are in yellow status (Customer Contact Center Solution, Investment Portfolio Management and WEB Modernization Program). Ms. Butler stated that she doesn't see any problem with fully implementing these projects. Four projects were closed out since the last Committee meeting. eVA was brought in and has been fully implemented including training. In March, Ms. Butler will be updating the Board on budget issues and some upcoming projects ITS is looking at for next year.

Continued on next page

Operations Committee Minutes
February 4, 2009

OD&L Update Tammy Neale Taylor, Chief Learning Officer for OD&L provided an update on several learning events since the last Committee meeting. All active associates have completed the mandatory on-line training on information security. This enabled VHDA to voluntarily comply with the Virginia Information Technology Agency (VITA) annual training requirement. The Knowledge Center will not have courses available during February as the Authority switches vendors. Last month a majority of Commissioners utilized the system to take the Conflict of Interest course (designed by the state), to meet Commonwealth of Virginia requirements. Earlier this month, VHDA sponsored a lunch-n-learn workshop on Estate Planning (POAs, Advanced Medical Directives, Trusts & Wills) attended by over 50 associates. Based on feedback from associates, the Authority will offer another session in the near future. VHDA (along with DHCD) participated in a succession planning session with community development leaders and will participate on industry and talent advisory boards later this quarter. OD&L provided an opportunity for non-profit business partners to participate in facilitation training with VHDA associates later this month.

Building for the Future Update Art Bowen, Managing Director of Finance & Administration, provided a status report on the Building for the Future project. The Headquarters Phase 1 project is about 80% complete. Work completed includes the installation of a new electrical system to the computer center that should meet capacity requirements for at least 10+ years; installed an additional generator and replaced the UPS system; additional air conditioning installed in the computer room; new roof system installed that meets LEED requirements; exterior lighting replaced; new fire suppression piping and new ceiling system installed in the parking deck. We anticipate being substantially complete by April 2009. The ITS department has had to take the power down several weekends (dark weekend) for work in the computer room and electrical infrastructure. Mr. Bowen advised that a decision needs to be made regarding Phase 2 of the project (interior renovations). Commissioner McCann suggested that time be allotted at the March retreat to discuss the pros and cons about proceeding with Phase 2 of HQ

The Southwest Virginia Housing Center project is about 50% complete; however, work is 45 to 60 days ahead of schedule. Have completed all interior demolition and the HVAC work is almost complete. The one major exterior component is the construction of an accessible ramp on the side of the building. Accordingly, it appears substantial completion may occur as early as June/July with occupancy in the August/September time period. The town has been pleased with what VHDA is doing.

Adjournment There being no further business, Commissioner Allmond adjourned the meeting at 10:35 a.m.

Operations Committee Minutes
February 4, 2009

Arthur N. Bowen, III
Managing Director of Finance &
Administration

Yvonne Allmond
Chairman